Banca Popolare di Sondrio FONDATA NEL 1871

PILLAR 3 REPORT

PUBLIC DISCLOSURES AS AT 30.09.2024

Banca Popolare di Sondrio Group

Date of publication: 06/12/2024

This document is an English translation of the original Italian document "Terzo Pilastro Informativa al pubblico al 30/09/2024 - Gruppo Banca Popolare di Sondrio", prepared only for the convenience of the international readers. In the case of discrepancies between the Italian version and the English translation, the Italian document shall prevail.

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Sondrio Companies Register No. 00053810149
Official List of Banks No. 842
Parent Company of the Banca Popolare di Sondrio Banking Group,
Official List of Banking Groups under No. 5696.0
Member of the Interbank Deposit Guarantee Fund
Tax code and VAT number: 00053810149
Share capital: € 1,360,157,331; Reserves: € 1,564,088,615
(Figures approved at the Shareholders' meeting of 27 April 2024)
Stock listed on the Mercato Telematico Azionario (MTA or Screen-Traded Market)

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Introduction

The “Basel III” regulatory framework transposed into the European Union regulatory system has been in force since 1 January 2014:

- Regulation (EU) No 575/2013 (Capital Requirements Regulation, known as “CRR”) of the European Parliament and Council of 26 June 2013 governing the prudential requirements for credit institutions and investment firms (“Pillar 1” provisions) and the rules on public disclosures by institutions (“Pillar 3” provisions);
- Directive 2013/36/EU (Capital Requirements Directive, known as “CRD IV”) of the European Parliament and Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

On 7 June 2019, after the publication in the Official Journal of the European Union, the following reform package introduced significant changes to the Union’s regulatory framework was issued:

- Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019, amending Regulation (EU) No 575/2013 (known as “CRR II”);
- Directive (EU) No 2019/878 of the European Parliament and of the Council of 20 May 2019, amending Directive (EU) 2013/36/EU (known as “CRD V”).

The prudential regime applicable to financial institutions is based on three “Pillars”.

“Pillar 1” (*Minimum prudential requirements*) imposes specific capital requirements to all supervised entities designed to cope with the typical banking and finance risks, providing for alternative calculation methods, characterized by different levels of complexity. This is integrated by the imposition of constraints on excessive leverage, new requirements and supervisory arrangements for liquidity risk and the integration of provisions under the bank resolution framework (MREL-TLAC).

“Pillar 2” (*Supervisory review process*) requires banks to equip themselves with strategies and internal processes in order to verify the adequacy of both capital (ICAAP - Internal Capital Adequacy Assessment Process) and liquidity positions (ILAAP - Internal Liquidity Adequacy Assessment Process) in a current and future perspective, as well as carrying out a clear and independent assessment of the risks to which they are exposed in relation to their operations and their reference markets, also considering risk profiles other than those recognized by the Pillar 1 capital requirements. Verifying the reliability and consistency of the results of these two processes and adopting, if necessary, appropriate corrective measures, is up to the Supervisory Authorities as part of their Supervisory Review and Evaluation Process (SREP). Increasing importance is also attributed to corporate governance structures and internal control frameworks of intermediaries as determining factors for the stability of the individual institutions as well as of the financial system as a whole.

“Pillar 3” (*Market discipline*) establishes specific public disclosure requirements to allow market participants to make a more accurate assessment of banks’ capital strength and exposure to risks, as well as of their risk management and control systems. In this regard, key developments have concerned the introduction of broader transparency requirements for supervised entities, given the market’s need for more and more information on the qualitative composition of intermediaries’ regulatory capital and the ways in which they quantify their own capital ratios.

Pillar 3 disclosure is governed by the CRR, Part Eight “*Disclosure by institutions*” (articles 431 - 455) and Part Ten, Title I, Chapter 1 “*Own funds requirements, unrealised gains and losses measured at fair value and deductions*” (article 473-bis) and Chapter 3 “*Transitional provisions for disclosure of own funds*” (article 492), as amended by Regulation (EU) 2019/876 (“CRR II”).

The provisions have been transposed by the Bank of Italy into Circular No. 285 of 17 December 2013, Part Two “*Application in Italy of the CRR*”, Chapter 13 “*Public disclosures*”;

The relevant regulatory framework on a European basis for Pillar 3 disclosure is completed with the execution measures contained in Regulatory or Implementing Technical Standards (RTS and ITS) adopted by the European Commission on the proposal of the European Supervisory Authorities (ESA).

With the issuance of the CRR II Regulation, public disclosure requirements provided for by the “Pillar 3” of prudential regulations have undergone a thorough revision. New publication requirements, effective from 28 June 2021, were detailed in the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, published on 21 April 2021 in the Official Journal of the European Union, which established innovative technical standards of implementation regarding the publication of information to the public by entities.

The measure implemented with the force of law the draft implementing technical standards drawn up by the European Banking Authority (EBA) aimed at a comprehensive review of the framework for fulfilling “Pillar 3” obligations, in execution of the amendments to the set of rules provided for by CRR II. The measure (ITS/2020/04) instituted a new organic set of rules governing the models for the publication of “Pillar 3” disclosures, aimed at rationalising the existing regulatory framework, while at the same time increasing the level of clarity and standardisation of the disclosures to be published[1]. The new framework has provided an integrated, comprehensive and uniform set of rules, formats and schedules with the objective of ensuring high quality and comparable public disclosures.

The templates and tables provided are applied according to the entity’s classification in terms of size and complexity. From the reporting of 30 June 2021, Banca Popolare di Sondrio Group publishes its information in adherence to the aforementioned Implementing Regulations.

The regulatory structure of Pillar 3 also includes:

- EBA/GL/2014/14 Guidelines on the materiality, proprietary, confidentiality and on disclosure frequency under articles 432, paragraphs 1 and 2, and 433 of the CRR;
- EBA/GL/2018/01 Guidelines on uniform disclosures under article 473-bis of the CRR on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR, EBA/GL/2020/12 Guidelines amending EBA/GL/2018/01 Guidelines to ensure compliance with the CRR “Quick-fix” in response to the COVID-19 pandemic;
- EU Regulation No 2020/873 of 24 June 2020 (CRR Quick-fix), amending Regulations (EU) No 575/2013 and (EU) 2019/876 with regard to certain adjustments in response to the spread of the COVID-19 pandemic (CRR “Quick-fix”);

[1] The new technical standards developed by the EBA replaced the uniform disclosure models included in a number of previous ones: a) regulatory technical standards (RTS) and implementing technical standards (ITS) issued by the European Commission on public disclosure of information regarding own funds, leverage, capital buffers, committed and uncommitted balance sheet assets and systemically important indicators; b) guidelines issued by the EBA on disclosure requirements under Part Eight of the CRR (mainly applicable to systemically important institutions), on liquidity coverage ratio (LCR) disclosures as well as on disclosure requirements regarding entities’ remuneration policies, systemically important indicators, impaired exposures and exposures subject to forbearance measures.

- Regulation (EU) No 2022/631 of 13 April 2022 amending the Implementing Technical Standards laid down by the Implementing Regulation (EU) No 637/2021 on disclosure of information on exposures to interest rate risk on positions not held in the trading book in accordance with article 448 of CRR II (paragraph 1, points a) and b));
- Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance (ESG) risks;
- Implementing Regulation (EU) 2021/763 of 23 April 2021, as subsequently amended by Implementing Regulation (EU) 2024/1618, laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council with regard to supervisory reporting and public disclosure on Minimum Requirement for own funds and Eligible Liabilities (MREL).

With these Public Disclosures, Banca Popolare di Sondrio Group (also referred to as the “Group”) intends to fulfil the disclosure requirements envisaged in the “Pillar 3” legislation mentioned above. The frequency of disclosure conforms to the rules dictated by article 433-bis of CRR/CRR II for the category of listed “large institutions”.

This document has been prepared by Banca Popolare di Sondrio S.p.A., the Parent Company, on a consolidated basis with reference to the prudential scope of consolidation and is available in the “Investor Relations” section of the Bank’s website (https://istituzionale.popso.it), sub-section “Pillar 3”. It is accompanied by the Certification of the Manager responsible for preparing the Company’s accounting documents of the Parent Company Banca Popolare di Sondrio S.p.A., pursuant to Article 154-bis, paragraph 2, of Legislative Decree 58/98 (Consolidated Law on Finance, “TUF”).

In compliance with article 434 of the CRR/CRR II (“Means of disclosure”), if similar information has already been published in other equivalent documents, reference is made to the document in which such piece of information is disclosed.

* * *

NOTE:

All the amounts indicated in the various sections of this Disclosure, except where expressly indicated, are shown in thousands of euro. Any failure to reconcile between the figures shown in this document depends solely on rounding.

Any significant changes with respect to previous publication periods are mentioned in this document.

In order to provide only significant information for users, the publication of data or information considered irrelevant or not applicable to the Group is omitted. In such cases, the omitted elements and the reasons for the publication omission are specified.

Summary of information published in accordance with CRR/CRR II requirements

The following summary table links the articles of Regulation (EU) No 575/2013 (“CRR”), as amended by (UE) Regulation No 876/2019 (“CRR II”) to the relevant disclosure requirements for Banca Popolare di Sondrio Group, integrated by the respective disclosure frequency and the sections of this document in which qualitative or quantitative information required by the “Pillar 3” regulations are reported with regard to the Group’s situation as at 30 September 2024.

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 September 2024
Art. 431	Disclosure requirements and policies	-	
Art. 432	Non-material, proprietary or confidential information	-	
Art. 433	Frequency and scope of disclosures	-	
Art. 433-bis	Disclosure by large institutions	-	
Art. 433-ter	Disclosure by small and non-complex entities	-	
Art. 433-quater	Disclosure by other institutions	-	
Art. 434	Means of disclosure	-	
Art. 435	Disclosure of risk management objectives and policies	Annual	
Art. 436	Disclosure of the scope of application	Quarterly/ Half-yearly *Scope of consolidation*	1 - Scope of application
		Annual *Full art. 436*	
Art. 437	Disclosure of own funds	Half-yearly *lett. a)*	
		Annual *Full art. 437*	
Art. 437-bis	Disclosure of own funds and eligible liabilities	Half-yearly/Annual	

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 September 2024
Art. 438	Disclosure of own funds requirements and risk-weighted exposure amounts	Quarterly *lett. d) and h)*	2 - Disclosure of key metrics and overview of risk-weighted exposure amounts 4 - Disclosure of the use of the IRB approach to credit risk
		Half-yearly *lett. e)*	
		Annual *Full art. 438*	
Art. 439	Disclosure of exposures to counterparty risk	Half-yearly *lett. e) to l)*	
		Annual *Full art. 439*	
Art. 440	Disclosure of countercyclical capital buffers	Half-yearly/Annual	
Art. 442	Disclosure of exposures to credit risk and dilution risk	Half-yearly *points c), e), f) and g)*	
		Annual *Full art. 442*	
Art. 443	Disclosure of encumbered and unencumbered assets	Annual	
Art. 444	Disclosure of the use of the Standardised Approach	Half-yearly *lett. e)*	
		Annual *Full art. 444*	
Art. 445	Disclosure of exposure to market risk	Half-yearly/Annual	
Art. 446	Disclosure of operational risk management	Annual	
Art. 447	Disclosure of key metrics	Quarterly/Half-yearly/Annual	2 - Disclosure of key metrics and overview of risk-weighted exposure amounts
Art. 448	Disclosure of exposures to interest rate risk on positions not held in the trading book	Half-yearly *par. 1, lett. a) and b)*	
		Annual *Full art. 448*	
Art. 449	Disclosure of exposure to securitisation positions	Half-yearly *lett. j), k) and l)*	
		Annual *Full art. 449*	
Art. 449-bis	Disclosure of environmental, social and governance risks (ESG risks)	Half-yearly/Annual	
Art. 450	Disclosure of remuneration policy	Annual	

Art. CRR/ CRR II	Article description	Frequency of publication	Section Public Disclosures as at 30 September 2024
Art. 451	Disclosure of the leverage ratio	Half-yearly *par. 1, lett. a) and b)*	
		Annual *Full art. 451*	
Art. 451-bis	Disclosure of liquidity requirements	Quarterly *par. 2*	3 - Disclosure of liquidity requirements
		Half-yearly *par. 3*	
		Annual *Full art. 451-bis*	
Art. 452	Disclosure of the use of the IRB approach to credit risk	Half-yearly *lett. g)*	
		Annual *Full art. 452*	
Art. 453	Disclosure of the use of credit risk mitigation techniques	Half-yearly *lett. f) to j)*	
		Annual *Full art. 453*	
Art. 473-bis	Introduction of IFRS 9	Quarterly/Half-yearly/Annual	2 - Disclosure of key metrics and overview of risk-weighted exposure amounts

As at the reporting date of this Disclosure, the following articles of Regulation (EU) No 575/2013, as amended by Regulation (EU) No 876/2019, to which it would be subject as a listed "large institution" pursuant to article 433-bis of the same EU provision, are not relevant for Banca Popolare di Sondrio Group:

- Art. 441 - Disclosure of indicators of global systemic importance.
- Art. 454 - Disclosure of the use of Advanced Measurement Approaches to operational risk.
- Art. 455 - Use of internal market risk models.

Section 1
Scope of application (article 436 CRR/CRR II)

These Public Disclosures have been prepared by the Parent Company in reference to Banca Popolare di Sondrio Banking Group, which, at the reference date, is made up as follows:

	Company Name	Status	Registered office	Operative office
1	Banca Popolare di Sondrio S.p.A.	Bank - Parent Company	Sondrio	Sondrio
2	Banca Popolare di Sondrio (SUISSE) SA	Swiss bank (registered in the Lugano Commercial Register) - wholly-owned	Lugano (CH)	Lugano (CH)
3	Factorit S.p.A.	Factoring company (registered in the Register of Financial Intermediaries pursuant to art. 106 of the CBA) - wholly-owned	Milano	Milano
4	Sinergia Seconda S.r.l.	Real estate company - wholly-owned	Milano	Milano
5	Popso Covered Bond S.r.l.	SPV for the issue of covered bonds - 60% held	Conegliano Veneto (TV)	Conegliano Veneto (TV)
6	BNT Banca S.p.A.	Bank - Wholly-owned	Sondrio	Sondrio
7	PrestiNuova S.r.l. - Agenzia in Attività Finanziaria	Agenzia in Attività Finanziaria - Wholly owned (100%) by BNT S.p.A.	Roma	Roma

The scope of consolidation of the disclosure is determined in accordance with the prudential supervisory regulations currently in force, provides for full (or “line-by-line”) consolidation of the subsidiaries mentioned above, as banking, financial or service companies controlled directly by the Parent Company.

Section 2
Disclosure of key metrics and overview of risk-weighted exposure amounts (articles 438, 447 and 473-bis CRR/CRR II)

The following tables provide a summary of the performance of some key figures of Banca Popolare di Sondrio Group, represented by key prudential and regulatory metrics envisaged by the CRR/CRR II regulations. The additional Pillar 2 requirements to which the Group is subject by virtue of regulatory provisions or decisions of the Supervisory Authority are also represented.

Table 1 - Template EU KM1 - Key metrics template (1 of 2)

		a	b
		30/09/2024	**30/06/2024**
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	3,715,302	3,622,276
2	Tier 1 capital	3,715,302	3,622,276
3	Total capital	4,376,447	4,268,253
	Risk-weighted exposure (amounts)		
4	Total risk-weighted exposure amount	22,545,694	22,732,338
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	16.4790%	15.9345%
6	Tier 1 ratio (%)	16.4790%	15.9345%
7	Total capital ratio (%)	19.4115%	18.7761%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.7900%	2.7900%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.5694%*	*1.5694%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*2.0925%*	*2.0925%*
EU 7d	Total SREP own funds requirements (%)	10.7900%	10.7900%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.0364%	0.0510%
EU 9a	Systemic risk buffer (%)	-	-

Table 1 - Template EU KM1 - Key metrics template (1 of 2)

		a	b
		30/09/2024	30/06/2024
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.5364%	2.5510%
EU 11a	Overall capital requirements (%)	13.3264%	13.3410%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.3865%	7.8420%
	Leverage ratio		
13	Leverage ratio total exposure measure	59,987,273	62,328,732
14	Leverage ratio	6.1935%	5.8116%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0000%	3.0000%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	-	-
EU 14e	Overall leverage ratio requirement (%)	3.0000%	3.0000%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,295,635	10,807,511
EU 16a	Cash outflows - Total weighted value	9,169,322	9,032,386
EU 16b	Cash inflows - Total weighted value	3,189,118	3,185,939
16	Total net cash outflows (adjusted value)	5,980,204	5,846,446
17	Liquidity coverage ratio (%)	188.7857%	184.8666%
	Net Stable Funding Ratio		
18	Total available stable funding	36,690,528	36,263,785
19	Total required stable funding	28,447,734	28,687,263
20	NSFR ratio (%)	128.9752%	126.4108%

Source: COREP reporting framework - Capital Adequacy: Templates C 01.00 - C 02.00 - C 03.00 - C 04.00; Calculation of the leverage ratio: Template C 47.00; Liquidity Coverage: Templates C 72.00 - C 73.00 - C 74.00 - C 75.01 - C 76.00

Table 2 - Template EU KM1 - Key metrics template (2 of 2)

		c	d	e
		31/03/2024	**31/12/2023**	**30/09/2023**
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	3,516,085	3,512,520	3,410,749
2	Tier 1 capital	3,516,085	3,512,520	3,410,749
3	Total capital	4,162,217	4,053,189	3,950,672
	Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	23,151,727	22,855,291	20,969,426
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.1871%	15.3685%	16.2653%
6	Tier 1 ratio (%)	15.1871%	15.3685%	16.2653%
7	Total capital ratio (%)	17.9780%	17.7341%	18.8402%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.7900%	2.6600%	2.6600%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.5694%*	*1.4963%*	*1.4963%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*2.0925%*	*1.9950%*	*1.9950%*
EU 7d	Total SREP own funds requirements (%)	10.7900%	10.6600%	10.6600%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.0350%	0.0359%	0.0224%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.5350%	2.5359%	2.5224%
EU 11a	Overall capital requirements (%)	13.3250%	13.1959%	13.1824%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.0946%	7.0741%	8.1802%
	Leverage ratio			
13	Leverage ratio total exposure measure	62,346,915	63,354,781	60,049,825
14	Leverage ratio	5.6396%	5.5442%	5.6799%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0000%	3.0000%	3.0000%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3.0000%	3.0000%	3.0000%

Table 2 - Template EU KM1 - Key metrics template (2 of 2)

		c	d	e
		31/03/2024	31/12/2023	30/09/2023
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	10,747,395	10,925,070	11,041,299
EU 16a	Cash outflows - Total weighted value	9,097,424	9,328,685	9,579,907
EU 16b	Cash inflows - Total weighted value	3,144,005	3,024,555	2,955,754
16	Total net cash outflows (adjusted value)	5,953,418	6,304,129	6,624,153
17	Liquidity coverage ratio (%)	180.7696%	174.0695%	167.3417%
	Net Stable Funding Ratio			
18	Total available stable funding	33,558,257	35,015,406	35,179,641
19	Total required stable funding	28,544,893	27,882,651	27,402,765
20	NSFR ratio (%)	117.5631%	125.5813%	128.3799%

Source: COREP reporting framework - Capital Adequacy: Templates C 01.00 - C 02.00 - C 03.00 - C 04.00; Calculation of the leverage ratio: Template C 47.00; Liquidity Coverage: Templates C 72.00 - C 73.00 - C 74.00 - C 75.01 - C 76.00

Capital requirements

Banking groups must comply with the following minimum capital requirements:

- Common Equity Tier 1 (CET1) ratio of 4.5%;
- Tier 1 Ratio of 6%;
- Total Capital Ratio of 8%.

The following capital reserves (known as “buffers”) have to be added to these minimum ratios provided by the CRR with the aim of providing supervised entities with high quality capital to be used in times of market tension to prevent malfunctions of the banking system and avoid interruptions to the credit disbursement process, as well as to face risks deriving from certain banks systemic relevance at a global or local level.

Each additional capital reserve plays a specific role, in particular:

- *Capital Conservation Buffer:* mandatory reserve made up of Common Equity Tier 1 Capital, equivalent to an additional operating requirement equal to 2.5% of weighted assets, intended to safeguard the minimum level of regulatory capital even in times of particularly adverse market.
- *Countercyclical Capital Buffer:* this is also made up of Tier 1 Capital to strengthen the capital position of the banking sector at times of excessive lending growth; following measures by the competent Supervisory Bodies, it could be set up during periods of economic expansion to cope with any losses that might arise during the downward phases of the cycle, based on a specific coefficient established at a national level. The countercyclical coefficient for Italian counterparties exposures, which is reviewed by the Bank of Italy on a quarterly basis, remained unchanged at 0% also in the third quarter of 2024, deemed appropriate to the macro-financial context[2].
- *Global Systemically Important Institution Buffer (G-SII buffer)* and *Other Systemically Important Institution Buffer (O-SII buffer):* reserves consisting of Common Equity Tier 1 capital; applied to Global Systemically Important Institutions (G-SII) and Other Systemically Important Institutions (O-SII) to account for the increased risks they potentially pose to the stability of the financial system. The buffer for G-SIIs can vary between a minimum of 1% and a maximum of 3.5%, whereas for O-SIIs a non-binding maximum threshold of 2% is foreseen.

[2] However, the Bank of Italy, in its capacity as the national macroprudential authority, in December 2023 announced the launch of a comprehensive reassessment of the methodological framework for the use of the countercyclical capital buffer, in order to verify whether the one currently used in the domestic banking context is still adequate with respect to the purposes of the buffer. The work will also take into account the Basel Committee’s recognition of the possibility - already applied by some countries - of introducing a positive capital buffer even under normal conditions, i.e. when cyclical risks are balanced.

- *Systemic Risk Buffer:* additional reserve of an amount equal to at least 1% of the risk exposures, established by each individual EU Member State in order to mitigate long-term non-cyclical systemic or macro-prudential risks that are not already covered by the macro-prudential instruments under the CRR or previous capital buffers and, in this way, cope with the negative effects of unexpected systemic crises caused by factors of systemic scope. On 26 April 2024, the Bank of Italy communicated the decision to apply a systemic risk buffer (SyRB) for banks and groups authorised in Italy. The target rate of 1.0% is to be achieved gradually by building up a buffer of 0.5% of material exposures by 31 December 2024 and the remaining 0.5% by 30 June 2025.

The sum of regulatory requirements and additional reserves determines the minimum level of capital conservation required for banks and banking groups (known as the "combined buffer requirement"). For Banca Popolare di Sondrio Group, these minimum capital levels are as follows:

- Common Equity Tier 1 (CET1) ratio of 7%
- Tier 1 Ratio of 8.5%
- Total Capital Ratio of 10.5%.

Banks that do not hold capital reserves to the minimum required extent are subject to distribution limits; in addition, they must adopt a capital conservation plan that indicates measures to be taken in order to re-establish, within a reasonable period of time, the amount of capital needed to maintain their reserves above the required minimum.

The new supervisory decision on prudential requirements resulting from the Supervisory Review and Evaluation Process (SREP) conducted by the Supervisory Authority during 2023 has been in force since 1 January 2024. The additional Pillar 2 Requirement ("P2R") imposed on the Group, to be held in the form of Common Equity Tier 1 (CET1) capital at least for 56.25% and Tier 1 (T1) capital for at least 75%, has been set at 2.79% (up from the previous 2.66%) and includes a share of 0.04% as an increase in the Pillar 2 requirement for impaired exposures. Accordingly, the minimum capital levels to be met by the Group[3] for 2024 include:

- a minimum requirement for Common Equity Tier 1 Ratio equal to 8.57%, made up of the sum of the Pillar 1 regulatory requirement (4.50%), the amount of Capital Conservation Buffer (2.50%) and the additional Pillar 2 Requirement - P2R (1.57%);
- a minimum requirement for Tier 1 Ratio of 10.59%, being the sum of the Pillar 1 regulatory requirement (6.0%), the amount of Capital Conservation Buffer (2.50%) and the additional Pillar 2 Requirement (2.09%);
- a minimum requirement for Total Capital Ratio of 13.29%, being the sum of the Pillar 1 regulatory requirement (8.0%), the amount of Capital Conservation Buffer (2.50%) and the additional Pillar 2 Requirement (2.79%).

In addition to these minimum ratios is a "Pillar 2 Guidance" (P2G), which aims to be a guideline to the prospective evolution of the Group's capital position. The latter target parameter, assigned by the Supervisor as a result of the SREP process, however, assumes a confidential nature and, unlike the abovementioned binding capital requirements, is not publicly disclosed, as it is an element which, also according to the Supervisory approach, is not relevant for the calculation of distributable dividends.

[3] The minimum requirements are calculated net of the contribution from the Group's specific countercyclical capital buffer.

As at 30 September 2024, the Group's capital ratios remain at a high level with a wide margin compared to regulatory requirements. In the phased-in version, the CET1 Ratio and Tier 1 Ratio stand at 16.48%, while the Total Capital Ratio stands at 19.41%. In fully loaded version, the ratios stand at 16.34% and 19.27% respectively.

Leverage and liquidity requirements

Banca Popolare di Sondrio Group is also subject to minimum requirements in relation to:

- Leverage Ratio;
- Liquidity Coverage Ratio (LCR);
- Net Stable Funding Ratio (NSFR).

The Group's leverage ratio, calculated by applying the transitional criteria in force for the current year (phased-in), stands at a level of 6.19%, an increase compared to the figure of the previous quarter (5.81%). In the third quarter there was a decrease of the total exposure amount due, largely, to the repayment in September of 3.7 billion of euro of TLTRO financing, combined with a strengthening of TIER 1 Capital.

At the same date, both the short-term liquidity indicator (*Liquidity Coverage Ratio*) and the medium long term liquidity indicator (*Net Stable Funding Ratio*) set at values well above the minimum requirements (100%). For any additional information regarding the Liquidity Coverage Ratio please refer to Section 3 of the present document.

* * *

The tables below provide the values of the Group's regulatory own funds, risk-weighted assets (RWA), capital ratios and leverage ratio, calculated as of 30 September 2024 and in the four previous quarterly periods taking into account the complete fulfilment of the phase-in rules for the gradual introduction of IFRS 9, compared with the homologous quantities calculated in case transitional provisions or applicable temporary treatments are missing/absent.

Table 3 - Template EU IFRS9 - FL - Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

		30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	3,715,302	3,622,276	3,516,085	3,512,520	3,410,749
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,683,390	3,591,906	3,493,229	3,457,570	3,389,043
3	Tier 1 capital	3,715,302	3,622,276	3,516,085	3,512,520	3,410,749
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,683,390	3,591,906	3,493,229	3,457,570	3,389,043
5	Total capital	4,376,447	4,268,253	4,162,217	4,053,189	3,950,672
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,344,535	4,237,883	4,139,361	3,998,240	3,928,965
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	22,545,694	22,732,338	23,151,727	22,855,291	20,969,426
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22,545,167	22,731,899	23,150,624	22,852,976	20,965,952
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.4790%	15.9345%	15.1871%	15.3685%	16.2653%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.3378%	15.8012%	15.0891%	15.1296%	16.1645%
11	Tier 1 (as a percentage of risk exposure amount)	16.4790%	15.9345%	15.1871%	15.3685%	16.2653%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.3378%	15.8012%	15.0891%	15.1296%	16.1645%
13	Total capital (as a percentage of risk exposure amount)	19.4115%	18.7761%	17.9780%	17.7341%	18.8402%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.2704%	18.6429%	17.8801%	17.4955%	18.7397%
	Leverage ratio					
15	Leverage ratio total exposure measure	59,987,273	62,328,732	62,346,915	63,354,781	60,049,825
16	Leverage ratio	6.1935%	5.8116%	5.6396%	5.5442%	5.6799%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.1403%	5.7628%	5.6029%	5.4575%	5.6437%

Source: COREP reporting framework - Capital Adequacy: Templates C 01.00-C05.01 and Leverage ratio calculation: Template C 47.00

Transitional IFRS 9 provisions

The Group's own funds, capital and leverage ratios as at 30 September 2024 are calculated in application of the transitional provisions set out in Regulation (EU) 2017/2395 of 12 December 2017, as amended by Regulation (EU) 2020/873 of 24 June 2020 (so-called CRR "Quick-fix")[4], aimed at containing the capital impacts of the adoption, effective 1 January 2018, of the new IFRS 9 accounting standard, appropriately amending and supplementing Regulation (EU) No 575/2013 ("CRR"). The adoption of transitional arrangements by banks was optional and could be either "integral" or "partial" depending on whether it concerned all regulatory provisions or only a portion of them.

These amendments are applicable from 1/1/2018 to 31/12/2024 and allow intermediaries to temporarily include in the calculation of their Common Equity Tier 1 Capital (CET1) an additional amount in order to "neutralize" the potentially significant impact of the possible increase in provisions to cover expected losses on financial instruments that would probably result from the immediate adoption of the new accounting standards.

The amount associated with these additional loss provisions, calculated net of tax effects, as a positive element of equity, can be broken down into a "static" component, representing a measure of the increases in adjustments when the new accounting standard is first adopted, and a "dynamic" component, measuring the additional increases in adjustments that could occur at each subsequent accounting date during the transitional period with respect to the provisions in place at 1/1/2018, excluding changes in adjustments calculated on portfolios of financial instruments.

This additional amount is applied to the value of the Common Equity Tier 1 capital of entities that chose to adhere to the aforementioned transitional provisions according to a progressively decreasing percentage of eligibility (the so-called "adjustment percentage") over time.

The amount of the value adjustments included as a positive element of CET1 is therefore "sterilised" in the calculation of capital ratios through the application of a scaling factor with the effect of limiting the amount of new write-downs which, in relation to positions treated according to the standardised method, are deducted from the exposure value used to calculate risk-weighted assets (RWA). This would ensure that those institutions applying transitional arrangements would not benefit from both an increase in their Common Equity Tier 1 capital due to said compensatory adjustments and a reduced risk exposure amount.

The Banca Popolare di Sondrio Group chose to take advantage of these transitional arrangements on a "full" basis, i.e. with reference to both additional credit risk provisions for expected credit losses on performing and credit-impaired financial instruments observed at the time of FTA of IFRS 9 (the "static" component), as well as to the increase in impairment losses recorded excluding credit-impaired instruments (only positions classified into Stage 1 and Stage 2) at each reference date following FTA of IFRS 9 (the "dynamic" component).

The figures reported in the tables above demonstrate how the impacts on the Group's capital adequacy in the event of immediate and full recognition of the effects of the accounting standard would remain fully limited also as of 30 September 2024. The differentials between the capital solvency and financial leverage ratios calculated taking into account the compensatory adjustments granted by the IFRS 9 transitional regime and those available to the Group in the event that it had not opted for this possibility remain substantially in line with those observed in the previous quarter.

[4] Regulation (EU) 2020/873 amended the previous transitional provisions with regard to both the time period and the eligibility percentages. The additional adjustments related to the entry into force of the IFRS 9 accounting standard continue to be calculated according to the percentages already provided for by the previous regulations, while, for those related to the COVID-19 emergency, they are applied to the value of CET1 capital taking into account a decreasing percentage of calculation over time, from 100% in 2020 and 2021, to 75% in 2022, to 50% in 2023, to 25% in 2024, until its total elimination in 2025.

* * *

The table below provides an overview of the Group's risk-weighted exposures (RWA or TREA) and capital absorption as of 30 September 2024, broken down by type of exposure and calculation method required by prudential regulations.

Table 4 - Template EU OV1 - Overview on risk-weighted exposures (RWA)

		RWA		Capital requirements
		a	b	a
		30/09/2024	30/06/2024	30/09/2024
1	Credit risk (excluding CCR)	19,079,295	19,516,646	1,526,344
2	*Of which the standardised approach*	*10,879,525*	*11,416,421*	*870,362*
3	*Of which the foundation IRB (FIRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple risk weighted approach*	-	-	-
5	*Of which the advanced IRB (AIRB) approach*	*8,199,770*	*8,100,226*	*655,982*
6	Counterparty credit risk - CCR	131,498	85,597	10,520
7	*Of which the standardised approach*	*23,914*	*25,762*	*1,913*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	*474*	*541*	*38*
EU 8b	*Of which credit valuation adjustment - CVA*	*11,927*	*10,647*	*954*
9	*Of which other CCR*	*95,183*	*48,648*	*7,615*
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	215,773	227,572	17,262
17	*Of which SEC-IRBA approach*	*69,506*	*75,178*	*5,560*
18	*Of which SEC-ERBA (including IAA)*	*59,894*	*64,159*	*4,792*
19	*Of which SEC-SA approach*	*71,589*	*74,406*	*5,727*
EU 19a	*Of which 1250%*	*14,785*	*13,828*	*1,183*
20	Position, foreign exchange and commodities risks (Market risk)	871,871	655,266	69,750
21	*Of which the standardised approach*	*871,871*	*655,266*	*69,750*
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	2,247,257	2,247,257	179,781
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*2,247,257*	*2,247,257*	*179,781*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	761,940	815,824	60,955
29	**TOTAL**	**22,545,694**	**22,732,338**	**1,803,656**

Source: COREP reporting framework - Capital Adequacy: Templates C 02.00 - C 07.00 - C 04.00 - C 08.01 - C 10.01 - C 13.01 - C 14.00 - C 14.01 - C 34.10 - C 34.02

The Group's total weighted exposures declined in the last quarter. The capital requirements for credit and counterparty risks are significantly reduced as a result of the weakness in customer lending volumes. On the other hand, market risk exposures increased due to the dynamics of tax credits in excess of the Group's tax capacity and allocated to trading activities, the recognition of new long settlement transactions in currencies and higher foreign exchange exposures related to investments in foreign currency government bonds. The capital absorption for operational risks, following the update at the end of last year in accordance with the regulatory standardised approach, confirmed the value as at 31/12/2023 in September. Credit valuation adjustment (CVA) risks on over-the-counter (OTC) derivative transactions remained scarcely material.

* * *

The following Pillar III disclosure template to which the Group would be subject pursuant to art. 438, point h) of CRR is not published due to the absence of counterparty risk exposures treated according to the “Internal Model Method” (IMM):

Template EU CCR7: RWEA flow statements of CCR exposures under the IMM

The Group does not adopt the “Internal Model Approach” (IMA) for measuring its exposures subject to market risk for the purposes of determining capital requirements. The disclosure template to which the Group would be subject pursuant to art. 438, point h) of the CRR, is not published:

Template EU MR2-B: RWEA flow statements of market risk exposures under the IMM

Section 3
Disclosure of liquidity requirements (art. 451 bis CRR/CRR II)

The Group regularly monitors its exposure to liquidity risk and the adequacy of the related management and mitigation systems from a current, forward-looking and stressed perspective, using metrics calculated for both regulatory and internal purposes, the latter defined on the basis of operational specificities and the range of activities performed.

At an operational level, liquidity management is carried out by Group companies through dedicated business structures; in this context, the Parent Company acts as a fund-raising preferential counterparty for its subsidiaries, intervening to cover part of their liquidity needs, as well as in the eventual use of liquidity surplus.

In compliance with the provisions dictated by EU regulations, Banca Popolare di Sondrio calculates and monitors at a consolidated level, the concise liquidity indicators Liquidity Coverage Ratio and Net Stable Funding Ratio.

The Liquidity Coverage Ratio (LCR) represents the short-term liquidity coverage requirement determined in accordance with Part Six of the “CRR” Regulation, as subsequently supplemented by Delegated Regulation (EU) 2015/61 of 10 October 2014, which in turn was partially amended by Delegated Regulation (EU) 2018/1620 of 13 July 2018. It is the ratio of the stock of high-quality liquid assets to the total amount of net cash outflows (algebraic sum of inflows and expected cash outflows) over the next 30 calendar days. The benchmark aims to ensure the ability of banking firms to survive a severe, short-term shock by ensuring that they maintain an adequate level of high-quality liquid assets that can be readily converted into cash to meet the very short-term needs that could arise under a particularly acute liquidity stress scenario. This ratio is subject to a minimum regulatory requirement of 100%.

The Net Stable Funding Ratio (NSFR) represents the net stable medium to long-term funding ratio determined in accordance with Part Six of the “CRR” Regulations, as amended by the “CRR II” Regulations dated 20 May 2019, the application of which started with effect from the reporting date of 30 June 2021. This is the ratio of the available amount of stable funding to the required amount of stable funding. It is intended as an additional mechanism of the LCR index with a view to favouring a more stable and longer-term financing of company assets, offsetting the incentives that banking institutions would have to finance their stock of liquid assets with short-term funds due to expire immediately after the 30-day horizon. In particular, the NSFR requirement, which should always be kept equal to or greater than 100%, is such as to ensure that long-term assets are financed with at least a minimum amount of stable liabilities in relation to the respective liquidity risk profiles.

Overall, the liquidity conditions of the Group are adequate both in the short term (“operational liquidity”) and in the long term (“structural liquidity”), with broad compliance with the minimum levels imposed by regulations for LCR and NSFR ratios.

The tables below show the quarterly trend of the average monthly values of the Liquidity Coverage Ratio (LCR) of the Group and of the main aggregates making up the ratio (liquidity reserve, liquidity outflows and inflows, high quality liquid assets).

Table 5 - Template EU LIQ1 - Liquidity Coverage Ratio (1 of 2)		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on 30/09/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	**Total high-quality liquid assets (HQLA)**				
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	18,751,677	18,680,709	18,342,424	17,922,891
3	*Stable deposits*	*11,906,302*	*11,899,735*	*11,733,574*	*11,492,167*
4	*Less stable deposits*	*6,240,441*	*6,281,888*	*6,226,238*	*6,169,391*
5	Unsecured wholesale funding	15,711,506	15,346,176	15,669,279	16,269,974
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*3,050,477*	*2,949,555*	*3,051,742*	*3,162,151*
7	*Non-operational deposits (all counterparties)*	*12,588,240*	*12,323,038*	*12,543,367*	*13,072,288*
8	*Unsecured debt*	*72,788*	*73,583*	*74,171*	*35,535*
9	Secured wholesale funding				
10	Additional requirements	941,845	890,133	865,730	857,975
11	*Outflows related to derivative exposures and other collateral requirements*	*13,465*	*11,597*	*15,320*	*16,805*
12	*Outflows related to loss of funding on debt products*	-	*1,550*	*1,653*	*1,902*
13	*Credit and liquidity facilities*	*928,379*	*876,986*	*848,756*	*839,267*
14	Other contractual funding	9,202	6,675	6,240	8,426
15	Other contingent funding obligations	15,287,816	15,170,811	14,997,819	14,816,836
16	**TOTAL CASH OUTFLOWS**				
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	111,045	59,596	16,693	16,693
18	Inflows from fully performing exposures	2,836,047	2,806,124	2,737,603	2,578,330
19	Other cash inflows	4,360,686	4,417,595	4,482,438	4,470,738
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**7,307,778**	**7,283,314**	**7,236,734**	**7,065,761**
EU-20a	*Fully exempt inflows*	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*7,307,778*	*7,283,314*	*7,236,734*	*7,065,761*
TOTAL ADJUSTED VALUE					
EU-21	**LIQUIDITY BUFFER**				
22	**TOTAL NET CASH OUTFLOWS**				
23	**LIQUIDITY COVERAGE RATIO (%)**				

Source: COREP reporting framework - Liquidity coverage: Templates C 72.00 - C 73.00 - C 74.00 - C 76.00

NOTE: The figures in the table are calculated as a simple (unweighted) average of the end-of-month observations over the twelve months preceding the end of each quarter

Table 6 - Template EU LIQ1 - Liquidity Coverage Ratio (2 of 2)

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on 30/09/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	Total high-quality liquid assets (HQLA)	11,295,635	10,807,511	10,747,395	10,925,070
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,407,633	1,410,228	1,392,822	1,372,334
3	*Stable deposits*	*595,315*	*594,987*	*586,679*	*574,608*
4	*Less stable deposits*	*812,318*	*815,241*	*806,143*	*797,726*
5	Unsecured wholesale funding	6,950,366	6,827,103	6,926,739	7,154,086
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*740,248*	*715,644*	*736,954*	*757,728*
7	*Non-operational deposits (all counterparties)*	*6,137,330*	*6,037,877*	*6,115,614*	*6,360,823*
8	*Unsecured debt*	*72,788*	*73,583*	*74,171*	*35,535*
9	Secured wholesale funding	*63,026*	*58,199*	*43,084*	*68,321*
10	Additional requirements	181,509	176,444	177,909	176,985
11	*Outflows related to derivative exposures and other collateral requirements*	*13,465*	*11,597*	*15,320*	*16,805*
12	*Outflows related to loss of funding on debt products*	-	*1,550*	*1,653*	*1,902*
13	*Credit and liquidity facilities*	*168,044*	*163,297*	*160,935*	*158,278*
14	Other contractual funding	7,023	4,489	4,059	6,265
15	Other contingent funding obligations	559,764	555,922	552,812	550,693
16	**TOTAL CASH OUTFLOWS**	**9,169,322**	**9,032,386**	**9,097,424**	**9,328,685**
	CASH - INFLOWS				
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	2,266,934	2,257,874	2,206,559	2,092,644
19	Other cash inflows	922,184	928,065	937,446	931,911
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	**TOTAL CASH INFLOWS**	**3,189,118**	**3,185,939**	**3,144,005**	**3,024,555**
EU-20a	*Fully exempt inflows*	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*3,189,118*	*3,185,939*	*3,144,005*	*3,024,555*
	TOTAL ADJUSTED VALUE				
EU-21	**LIQUIDITY BUFFER**	**11,295,635**	**10,807,511**	**10,747,395**	**10,925,070**
22	**TOTAL NET CASH OUTFLOWS**	**5,980,204**	**5,846,446**	**5,953,418**	**6,304,129**
23	**LIQUIDITY COVERAGE RATIO (%)**	**188.7857%**	**184.8666%**	**180.7696%**	**174.0695%**

Source: COREP reporting framework - Liquidity coverage: Templates C 72.00 - C 73.00 - C 74.00 - C 76.00

NOTE: The figures in the table are calculated as a simple (unweighted) average of the end-of-month observations over the twelve months preceding the end of each quarter

From the data reported in the previous templates, it is possible to observe a tendency towards consolidation of the average levels of the LCR in the last twelve months, which remained positioned at levels well above the minimum regulatory requirement (100%) throughout the period.

As at 30 September, the short-term liquidity ratio continued to improve compared with the previous quarter, generally confirming the positive trend that had begun in the last reporting periods. Contributing to the recent evolution of the ratio was the increase in the volume of liabilities, which, despite the tightening of current account balances in favour of fixed-term deposits - particularly in the form of time deposits -, resulted in an upsurge in the relative share of the forecast net cash outflows within 30 days.

On the institutional funding side, a key element was the repayment of EUR 3.7 billion of TLTRO funds in September, which was operated by offsetting with alternative forms of funding, such as repurchase agreements with banking counterparties, as well as by drawing on excess liquidity deposited with the Central Bank. On the assets side, on the other hand, there was a slight decline in total volumes in the last quarter, which did not, however, significantly modify the average share of loans expected to be repaid within the 30-day period.

These overall changes in the composition of funding and lending activities were reflected in a limited increase in the average net cash outflows included in the denominator of the LCR, which is calculated by applying the weighted inflow and outflow factors prescribed by prudential regulations to all liabilities and assets due on demand or expiring within 30 days, in order to incorporate stress effects, both systemic and idiosyncratic, in the calculation of the liquidity coefficient. More specifically, the change compared with the previous quarter is mainly due to the increase in the average liquidity outflows resulting from the Group's funding dynamics.

The average level of high-quality liquid assets included in the liquidity reserve in the numerator of the LCR increased compared to June 2024 and averaged around EUR 11.3 billion over the last twelve months.

High-quality liquid assets ("HQLA") are held by the Group mainly in Euro in order to meet any financial needs expressed in this currency; they continue to consist mainly of debt instruments issued by eligible sovereign entities classified in the "EHQLA" category (Level 1)[5], recognized as being of extremely high liquidity and credit quality in accordance with Delegated Regulation (EU) 2015/61. These are mainly securities issued by the Italian State, as well as investments in bonds issued by other sovereign states (including in particular Spain and France), supranational bodies, credit institutions and financial companies. The subsidiary Banca Popolare di Sondrio (SUISSE) also holds its own bond portfolio, consisting mainly of national Central Bank eligible securities, in addition to CHF deposits with the SNB, in order to meet specific liquidity requirements.

Risks associated with the concentration of funding sources are mitigated by the Group through the maintenance of a consistent retail funding base, which by definition is adequately diversified; additional funding sources are represented by national and international private entities and companies, as well as from banking counterparties, from which the Group has no difficulty in obtaining funding at market rates, given the high level of reputation it enjoys in the marketplace.

Overall, the liquidity risks associated with derivative exposures are limited given the risk strategy pursued by the Group, which provides for a "back-to-back" hedging of all open positions related to transactions with customers.

[5] The rules for calculating the LCR split high quality liquid assets ("HQLA") into three categories, considered in decreasing order of liquidity: "Level 1" ("EHQLA"), "Level 2A" and "Level 2B". Gradually increasing prudential haircuts are applied to these categories, in addition to limits in terms of composition.

Section 4
Disclosure of the use of the IRB Approach to credit risk (art. 438 CRR/CRR II)

The table reported below shows the changes in the amounts of risk-weighted exposure (RWA) calculated on the basis of the “Advanced IRB approach” compared to the previous quarter, giving further details of key factors that contributed significantly to the changes.

Table 7 - Template EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach

		RWA
		a
1	**RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE PREVIOUS REPORTING PERIOD**	**8,176,170**
2	Asset size	72,457
3	Asset quality	49,196
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(740)
8	Other	(27,110)
9	**RISK WEIGHTED EXPOSURE AMOUNT AS AT THE END OF THE REPORTING PERIOD**	**8,269,972**

Source: COREP reporting framework - Flow statements for credit risk, IRB approach to capital requirements: Template C 08.04

As at 30 September 2024, the value of the aggregate risk-weighted assets subject to credit risk measured under the “Advanced IRB approach” showed an increase compared to the previous quarter, due to a rise in original exposure values and a change in the credit quality of a portion of the portfolio assets covered by internal ratings. Other changes include the combined effects of credit items assessed by stand-alone analysis.

Certifications of the Manager responsible for preparing the Company's accounting documents

The undersigned Simona Orietti, as Manager responsible for preparing the Company's accounting documents of Banca Popolare di Sondrio S.p.A., in accordance with the provisions of article 154-bis, paragraph 2, of Legislative Decree No. 58 of 24 February 1998, hereby certifies that the accounting information contained in this document agrees with the underlying accounting entries, records and documentation.

Sondrio, 5 December 2024

Signed Simona Orietti
Manager responsible for preparing
the Company's accounting documents

Glossary

Common Equity Tier 1 (CET1) Ratio
Prudential capital adequacy coefficient expressed by the ratio between Common Equity Tier 1 capital (CET1) and total risk exposure amount represented by risk-weighted assets (RWAs).

EBA - European Banking Authority
European Banking Authority. Regulatory body of the European Union, based in London, established by Regulation 1093/2010/EU to replace the Committee of European Banking Supervisors (in abbreviated form, “CEBS”).

Fair value
Fair value. Value for which an asset could be exchanged or a liability settled in an orderly market transaction between knowledgeable and independent parties.

IAS/IFRS
International Accounting Standards (IAS) issued by the International Accounting Standard Board (IASB), a body in which the accounting professionals of the major countries worldwide are represented, with the European Union, the IOSCO (International Organisation of Securities Commissions) and the Basel Committee on Baking Supervision taking part as observers. This body, which inherited the legacy of the International Accounting Standards Committee (IASC), aims to promote the harmonisation of the accounting rules for the preparation of company financial statements. With the transformation of the IASC into IASB, it was decided, among other things, to call the new accounting standards “International Financial Reporting Standards” (IFRS).

IFRS 9 (Financial instruments)
International accounting standard which, from 1 January 2018, replaced IAS 39 “Financial Instruments: Recognition and Measurement”. It applies to all financial instruments that can be classified as assets and liabilities in the balance sheet, having regard to the classification and measurement criteria and the methods for determining impairment adjustments.

ICAAP - Internal Capital Adequacy Assessment Process
Internal process to evaluate capital adequacy, as provided for by the “Pillar 2” rules of prudential supervisory regulations, which financial institutions are required to implement to determine an adequate level of internal capital to cope with all relevant risks; these may differ from those covered by the total regulatory capital requirements (“Pillar 1”), as they are part of an individual assessment - both current and prospective - that takes into account the business strategies and the evolution of the macro-economic context, also under stress conditions.

ILAAP - Internal Liquidity Adequacy Assessment Process
Internal process for evaluating the adequacy of the governance and management mechanisms in place to face current and prospective liquidity risks, consisting in the processes for the identification, measurement, management and monitoring of liquidity implemented by the financial institutions.

IRB - Internal Rating Based Approach

Methods Based on Internal Ratings. They can be distinguished between a “basic” (F-IRB, Foundation Internal Rating-Based Approach) and an “advanced” approach (A-IRB, Advanced Internal Rating-Based Approach) in relation to the credit risk parameters that the banks are allowed to estimate internally. In particular, the Advanced IRB method involves internal estimation of all the main risk parameters (PD, LGD, EAD, CCF and, where required, actual maturity) used in the weighting formulas for calculating the capital requirement for credit risk. Adoption of IRB methods for the purpose of calculating capital requirements is subject to authorisation from the Supervisory Authority, after verification of compliance with a set of organisational and quantitative requirements.

LCR - Liquidity Coverage Ratio

Short-term liquidity coverage indicator determined according to Part 6 of Regulation (EU) No. 575/2013 of 26 June 2013 (“CRR”). The coefficient aims to ensure that intermediaries hold an amount of high-quality liquid reserves, readily convertible into cash, sufficient to cover liquidity outflows for a period of at least 30 days, even in a scenario of particularly severe liquidity stress. The indicator is calculated as the ratio between the stock of high-quality liquid assets (HQLA) and total net cash outflows scheduled in the 30 calendar days following the observation date, determined under particularly acute stress assumptions. The parameter must always remain at or above the minimum level of 100%.

Leverage Ratio

Prudential ratio introduced by the Basel 3 framework with the aim of containing the degree of financial leverage in the banking sector, which complements the traditional risk-based capital requirements with a metric based on financial aggregates not weighted for risk. It is obtained as the ratio between Tier 1 Capital and Total Exposure, the latter being the sum of on-balance and off-balance sheet exposures.

NSFR - Net Stable Funding Ratio

Regulatory long-term liquidity indicator envisaged by the Basel 3 frameworks. It is intended as a mechanism aimed at complementing the LCR index with a view to favouring more stable and longer-term financing of assets, offsetting the incentives that banking and financial institutions would have to finance their stock of liquid assets with short-term funds that expire immediately after the 30-day horizon. The index is calculated as the ratio between the available amount of stable funding (ASF) and the required amount of stable funding (RSF). This parameter, which should always be kept equal to or greater than 100%, is structured in such a way as to ensure that long-term assets are financed with at least a minimum amount of stable liabilities in relation to the respective liquidity risk profiles.

Rating

Synthetic estimate of a debtor’s ability to fulfil its credit commitments issued by specialised agencies (external rating) or by the bank itself (internal rating) on the basis of aspects such as financial solvency and growth prospects.

RWA - Risk-Weighted Assets
RWEA - Risk-Weighted Exposure Amounts
TREA - Total Risk Exposure Amount

Risk-Weighted Assets (RWA) On-balance sheet and off-balance sheet assets classified and weighted for their associated risks, established in accordance with the regulations issued by supervisory authorities in relation to calculation of capital ratios of banks.

SREP - Supervisory Review and Evaluation Process

Prudential review and assessment process with which the Supervisory Authorities periodically assess the ICAAP of financial institutions and its results. Through the SREP the Authority: a) analyses the risk profiles of a supervised entity, individually and in an aggregate perspective, also under stress conditions, and the related contribution to systemic risk; b) evaluates its corporate governance system, the functionality of its internal bodies, its organisational structure and the internal control system; c) verifies compliance of the institution with the set of prudential rules applicable.

Tier 1 Ratio

Prudential capital adequacy coefficient expressed by the ratio between Tier 1 Capital and total risk exposure amount represented by risk-weighted assets (RWA).

Total Capital Ratio

Prudential capital adequacy coefficient expressed by the ratio between Total Capital and total risk exposure amount represented by Risk-Weighted Assets (RWA).